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Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Friday June 25, 1976 CI NIDC 76-149C

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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DIA review(s) completed.

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State Dept. review completed

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National Intelligence Daily Cable for Friday, June 25, 1976.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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LEBANON

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[REDACTED] The extreme right-wing Christian militias yesterday intensified further their attacks on Tall Zatar and Jisr al-Basha Palestinian camps in east Beirut. The offensive yesterday included armored assaults and ground fighting in addition to the usual heavy shelling.

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[REDACTED] //The Christians have acknowledged suffering heavy casualties.// They express determination to continue their assault, however, until fedayeen and leftist forces in the camps are no longer able to prevent movement from Christian enclaves in Beirut to more secure Christian areas northeast of the city.

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[REDACTED] Although the several small Christian groups involved in this assault have surrounded the camps and pushed back Palestinian defenders in peripheral areas, they are not likely to achieve their full objective unless the larger Phalanges Party militia becomes heavily involved.

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[REDACTED] The Phalangists so far have shelled the camps, but have not joined in the ground fighting.

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[REDACTED] Fighting spread yesterday to all sections of the capital except, ironically, the airport. In that area, where the heavy fighting centered last week, the Palestinians and Syrians are pushing ahead with implementation of the cease-fire negotiated by Libyan Prime Minister Jallud.

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[REDACTED] Some of these Syrian troops reportedly are returning to Syria, while others may remain in Lebanon. According to press reports, some of the Syrian forces that were withdrawn from Beirut airport on Wednesday have taken up positions near Sidon.

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[redacted] Libyan Prime Minister Jallud on Wednesday succeeded in arranging a meeting of leaders of all principal fedayeen groups. Although nothing concrete was accomplished, the session did represent at least a symbolic reconciliation of the independent and Syrian-controlled organizations.

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EGYPT-SYRIA

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[redacted] The prime ministers of Egypt and Syria meeting in Riyadh yesterday appear to have made some progress toward a formula for resolving their governments' differences, but the general and largely superficial communique issued after the meeting indicates that a lasting reconciliation is highly unlikely.

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[redacted] The two sides seem to have skirted the fundamental issues that divide them, leaving these for later consideration by foreign ministers Fahmi and Khaddam. The communique declared that a joint military-political committee under the foreign ministers' guidance will be formed to "define the strategic requisites" for the liberation of territories under Israeli occupation.

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[redacted] This formulation suggests that Cairo avoided discussion at Riyadh of the second Sinai agreement but that it will have to face the issue if the military-political committee ever convenes.

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[redacted] The communique's reference to "strategic requisites" that must still be coordinated is an implicit recognition that the two sides are far apart on their basic approach to negotiations with Israel.

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[redacted] The military-political committee may have trouble getting off the ground. No timetable was mentioned for its meetings, and similar committees established in the past have accomplished little. A commission set up at the vice presidential level in April 1975 held only one meeting before relations soured again.

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[redacted] Vesting the leadership of this committee in the hands of Fahmi and Khaddam is almost a guarantee of failure. The two men are long-time antagonists whose personal abrasiveness has seldom permitted agreement or even amicable discussion.

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[redacted] The communique looks forward to a summit meeting in Riyadh among presidents Sadat and Asad and King Khalid, but this is predicated on prior agreement by the foreign ministers' committee, which is to present its recommendations to the presidents before any summit.

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[redacted] The Riyadh meeting also issued a relatively innocuous statement on the Lebanon situation that contains enough to satisfy both Egypt and Syria without requiring concessions from either. [redacted]

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EGYPT-USSR

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[redacted] //The Soviets reportedly delivered four MIG-21 engines to Egypt in May, and are said to have agreed to accept immediately ten Egyptian MIG-21 engines for overhaul in the USSR. Moscow also is reported to be delivering some jeeps, trucks, and other civilian types of equipment in the armed forces.//

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[redacted] //The four engines delivered to Egypt probably are ones Cairo sent to the USSR for repair before the Soviets stopped overhauling Egyptian engines in late January. Some 50 Egyptian MIG engines reportedly have been in Moscow for repair since early 1975.//

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[redacted] //This information is generally consistent with recent statements by Soviet Ambassador Polyakov that Moscow had decided to make sporadic shipments of small quantities of military-related equipment to Egypt. The ambassador said this symbolic gesture was designed to demonstrate that the door to a resumption of a military relationship is not irrevocably closed.//

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[redacted] //It seems unlikely that Moscow intends for now to expand military assistance beyond these limited gestures. A Soviet official in Cairo familiar with the Egyptian spare parts problem recently told the US defense attache that Moscow has no intention of resuming a regular flow of spare parts.//

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[redacted] //The same official reported earlier that since mid-1975 the number of Soviet military technicians in Egypt had dropped by half, to about 180, and would continue to dwindle as technical assistance contracts expire. He said that most remaining personnel were working on MIG-23 aircraft and air defense equipment, although their usefulness was questionable because of the lack of spare parts.//

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[redacted] //The decline in the number of Soviet technicians parallels the deterioration in the Soviet-Egyptian military supply relationship in recent years. Moscow halted arms deliveries to Cairo in April 1974 following strains produced after

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the Arab-Israeli war in 1973. Limited shipments of spare parts, ammunition, and ground support equipment were resumed in August 1974, and 26 MIG-23 and 18 SU-20 fighters were delivered in the first half of 1975. In mid-1975, Moscow cut off virtually all military supplies.//

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[redacted] //The Soviets have periodically suggested their willingness to discuss the military equipment issue with Cairo. Deputy Foreign Minister Kuznetsov reiterated this point to the new Egyptian ambassador in Moscow only last week. Kuznetsov welcomed recent Egyptian initiatives to put Soviet-Egyptian relations on a less antagonistic basis, and said Moscow was "prepared to consider" various bilateral problems.//

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[redacted] //The overhauling of a dozen or so engines cannot arrest the general decline in Egyptian air force combat readiness. Nevertheless, Moscow's recent gestures will not go unnoticed by an Egyptian military establishment that is becoming increasingly dissatisfied with President Sadat's inability to replace deteriorating Soviet hardware with advanced Western weapons systems. [redacted]

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PORUGAL

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[redacted] Portuguese Prime Minister Azevedo's attending physicians are unwilling to comment publicly on whether he will survive through the presidential election on Sunday.

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[redacted] The national electoral commission has announced that the election will proceed as scheduled unless Azevedo dies before the polls close.

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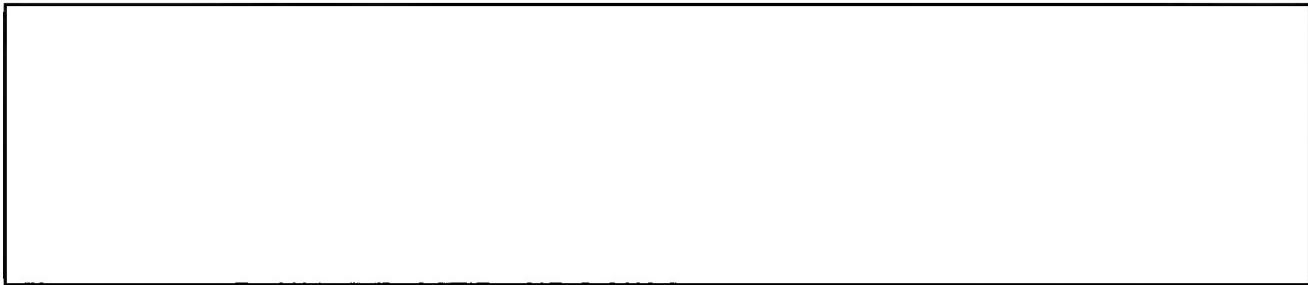
[redacted] //The all-military Revolutionary Council has reportedly agreed that the letter of the law must be followed but is anxious to avoid the political problems that would result if the election is put off.//

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[redacted] The campaign, which has slowed since Azevedo was stricken, will officially end at midnight tonight, which is also the deadline for withdrawing from the race.

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[redacted] An Azevedo aide told the US embassy yesterday that staff assistants had been prepared to pull their candidate out of the competition but could not do so unless he personally signed the form.

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[redacted] Interior Minister Almeida e Costa has been named interim prime minister, but the question of who serves in the position might be reopened if the election has to be rescheduled. A move could develop to have Socialist leader Soares form a government.

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[redacted] Both Eanes and Azevedo have said that, if elected, they would designate Soares to head up a Socialist government. The choice would be up to President Costa Gomes, however, who continues to favor a national unity formulation that would include the Communists. [redacted]

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FRANCE

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[redacted] The French Communist Party has stepped up its efforts to convince voters that it is worthy of participating in the government, but--unlike the Italian Communist Party--with no noticeable success. The major gains registered by the French left over the last two years have been by the Socialists.

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[redacted] The Communists' failure is showing both in the party's flagging recruitment drive and its sagging voter support. Membership has not increased at all so far this year. The Communist vote dropped by 1.5 percent in the March cantonal election from the election in 1970.

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[redacted] Party leader Marchais invited Italian party chief Berlinguer to address a rally in Paris on June 3, hoping to benefit from close association with what many French voters regard as Western Europe's most acceptable Communist Party.

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[redacted] The rally was poorly attended, and the contrast between the presentations of the two leaders may well have reinforced French opinion that the only good Communist is an Italian one.

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[redacted] In a further effort to expand their appeal, the French Communists have called for common action with the Gaullists on a number of issues, such as defense and EC policy, on which the two parties' nationalistic attitudes tend to converge. These initiatives have, for the most part, been dismissed by the press as mere talk.

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[redacted] Efforts to gain better coverage for the party in the foreign press have also gone astray. Marchais and the party's foreign affairs specialist succeeded only in irritating correspondents by refusing at a recent luncheon to discuss such timely issues as the proposed European Communist Party Conference.

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[redacted] The French Communists' difficulties with their liberalization campaign have caused problems in the party itself. There are rumblings among party intellectuals, youth, and the rank-and-file that the leadership is in danger of diluting the party line to the point that it will no longer have a "legitimate working class vocation"--a serious charge in Communist circles.

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[redacted] Marchais is the architect of the new line and may well be vulnerable if he cannot produce results. He has no easy choice, however. The shift back to a harder line to soothe party members would accelerate the Communists' loss of voter support.

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POLAND

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[redacted] Polish Premier Jaroszewicz yesterday announced a package of sharp food price increases that is almost certain to anger Polish consumers.

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[redacted] The prices, which have been frozen since 1970, will go up an average of 69 percent on meat, 100 percent on sugar, and over 50 percent on butter and some cheese. Bread, flour, and some milk will remain at their present prices.

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[redacted] Jaroszewicz told the parliament that the increases will become effective Monday, and that state stores, to prevent hoarding and speculation in the interim, will limit sales of items that will be boosted in price.

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[redacted] Also beginning Monday, workers will receive compensatory wage increases. In order to ensure increased supplies, farmers are to be paid significantly higher prices for their products.

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[redacted] The extra compensation to workers will be greatest for the lower income groups; that will not mollify the more highly paid shipyard workers and miners who in the past have been the most demanding.

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[redacted] The sharp price increases are designed to have an impact on consumption. If the price rises had been much smaller, Polish consumers would have been able to compensate largely by lowering their high savings rate.

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[redacted] As a result of party leader Gierek's liberal wage policies, real wages have grown an average of 7 percent a year since 1970. With a lack of attractive consumer goods and a shortage of housing, Polish workers have funneled much of their wage hikes into food and savings.

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[redacted] //Two senior Polish officials advised US embassy officers on Tuesday that price increases were imminent. One of the Poles also said that some people would be unhappy but that the regime could handle any "trouble." He admitted that there had been disturbances in recent months, explaining that there are those who use any occurrence, natural or otherwise, to increase tension.//

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[redacted] //The US embassy reports a recent, sudden flurry of rumors about disturbances in Wroclaw, Szczecin, and Gdansk and about a possible call-up of military reserves in anticipation of the price rises.//

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[redacted] The regime will probably make special efforts after the price hikes to see that there are additional supplies of meat in the stores. The Poles, who will be unhappy with the price increases, would be even more distressed if meat shortages continue. [redacted]

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WORLD GRAIN

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[redacted] Our initial forecast of 1976-1977 world grain production, excluding rice, is for a record 1,045 million tons, 6 percent above the 1975-1976 figure. This compares with the US Department of Agriculture's latest estimate of 1,053 million tons.

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[redacted] //A better Soviet harvest accounts for nearly three-fourths of the increase, more than offsetting a smaller West European crop.// In turn, global import demand should be weaker, permitting small additions to stocks of major exporters and helping ease the tight supply situation that has prevailed since 1973.

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[redacted] //This early in the season, however, uncertainties over water shortages in some major grain areas and Soviet buying intentions will cloud grain market prospects over the next few months.//

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[redacted] We estimate world wheat production for 1976-1977 at 365 million tons, up 7 percent over 1975-1976, and about the same as the Department of Agriculture's estimate of 371 million tons. Consumption will rise less rapidly than production, despite increased feed use in the USSR and Europe.

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[redacted] We anticipate that global import demand for wheat will be down 7 million tons from current demand, with most of the decrease occurring in the Soviet Union, India, and Brazil. Larger supplies in all the major exporting countries point to strong competition during the coming year.

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[redacted] Foreign demand for US wheat next year is likely to be about 27.7 million tons, down from the Department of Agriculture's estimate of 32.4 million tons for 1975-1976 and the smallest in five years. This low level will allow US carryover stocks to increase 37 percent, to more than 20 million tons, by July 1, 1977.

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[redacted] Although feedgrain supplies, especially corn, have tightened in recent months, we expect some easing in the new crop year beginning October 1. We forecast that world feedgrain production in 1976-1977 will be up 7 percent, to 680 million tons, due to larger US and Soviet harvests. The Department of Agriculture predicts a record US corn crop of 162.1 million tons, 15.6 million tons more than this year. //Our latest forecast of Soviet grain prospects implies a 45-percent increase in feedgrain output, including rye, over last year's poor harvest.//

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[redacted] The recent strong import demand for corn is not expected to continue into the coming marketing year. We estimate global demand for corn imports will be down 8 percent from the 54.3 million tons traded in the current year, //including a 5-million-ton cut in Soviet imports.//

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[redacted] Drought conditions have cut our earlier forecast of lower European Community corn imports; increased imports are now forecast. We also estimate that Japan will boost corn imports to support an expanding livestock program.

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[redacted] We predict foreign demand for US corn will drop 6.8 million tons in 1976-1977, to about 35.4 million tons. Using the most recent Department of Agriculture estimates for production and domestic use, this export volume will allow a stock addition of 9.9 million tons, raising carryover stocks to 18.8 million tons by September 30, 1977. [redacted]

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USSR - EAST EUROPE

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[redacted] The long-delayed European Communist party conference is scheduled to take place in East Berlin next Tuesday and Wednesday. The dates were announced yesterday following an abbreviated one-day session of the editorial commission, the major preparatory body for the conference. The announcement was made before the Central Committees of the participating parties had had a chance to approve the final document.

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[redacted] The announcement said that the commission acted in a "businesslike and comradely atmosphere." This formulation and the shortness of the editorial commission's latest session suggest that its members were unable to reach complete agreement and decided to pass the problem on to their respective party leaderships. A number of the parties have already indicated they will not be represented in East Berlin by their party leaders. If so, the Soviets may be reluctant to send General Secretary Brezhnev.

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[redacted] The announcement came after 20 months of preparatory talks involving representatives of 28 East and West European communist parties. Preparations were prolonged mainly because of differences over the content of the conference document.

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[redacted] The announcement yesterday did not reveal any details about the document. The Italian party's foreign policy chief, however, recently discussed the draft's substance with an Italian journalist.

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[redacted] According to the newsman, who has consistently been overly optimistic about the preparations, the document acknowledges the autonomy of individual parties, including their right to develop along national lines. It reportedly invokes the ideals of Marx, Engels, and Lenin but avoids mentioning proletarian internationalism.

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[redacted] As matters now stand, additional differences between Moscow and the independent-minded parties could still surface at the conference. The more independent-minded parties can also be expected to express their specific positions before the conference convenes. The Soviets will do likewise. [redacted]

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PUERTO RICO

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//At the June 27-28 economic conference in Puerto Rico, leaders of the seven major developed countries will discuss world economic developments since the summit held at Ram-bouillet, France, last November.//

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//With prices still rising rapidly in most of the seven countries, their representatives are expected to endorse only noninflationary efforts to prolong the economic upturn. They also will discuss strategy for dealing with the developing states and, at least informally, will consider financial support for the Italian economy.//

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//The leaders may seek to give the multilateral trade negotiations a boost and could review current international monetary arrangements. Discussion of a concerted approach to East-West trade is another possibility.//

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//Most of the leaders expect little substantive movement from the meeting but acknowledge its importance as signaling a willingness to discuss the problems of their inter-dependent economies. With most of their governments on shaky ground at home, they will want to convey the impression that they are working effectively to find solutions to common economic problems.//

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//The summit continues to cause the four European participants problems with the five smaller EC members, who have protested that the four did not coordinate with them before replying to the US invitation to meet in Puerto Rico.//

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//A tentative agreement among the Nine allowing the two senior EC officials to participate in the summit fell apart when the French refused to accept the principle, backed by the smaller EC members, that future summit meetings would either be attended by all members or those invited would refrain from taking individual positions on matters under EC competence.//

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[redacted] //Assistance to Italy is another likely topic. The Europeans will probably insist that any programs to aid Italy be conditioned on specific economic and fiscal reforms. The Germans reportedly are "favorably disposed" to participating in a broadly based international assistance program but recognize that suitable commitments are not feasible at this time.

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[redacted] //On monetary matters, the French--despite their commitment to a major role for gold in the international monetary system--reportedly will not ask that other governments support its price. Giscard has expressed satisfaction with the price established at the June IMF auction. The conference may reaffirm the concept of floating exchange rates, with intervention condoned only to counter disorderly market conditions.

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